MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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DATE: November 21, 2005

TO: Legislative Finance Committee

FROM: Lois Steinbeck
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RE: $3 Million FY 2006 DPHHS General Fund Shortfall

SUMMARY

The Legislative Fiscal Division (LFD) received the first budget status report (BSR) for FY 2006 from the Department of Public Health and Human Services (DPHHS) on November 15 as required by 53-6-110, MCA. The BSR projects that DPHHS will have a $3 million net general fund deficit in FY 2006 primarily due to cost over runs of:

- $3.1 million at the Montana State Hospital (MSH)
- $1.4 million at the Montana Development Center (MDC)

Other programs also have projected deficits, but the amounts are much lower.

The projected deficit is partially offset by anticipated general fund savings in other areas. The single largest estimated general fund savings is for Medicaid services administered by the Senior and Long Term Care Division (SLTC), primarily in:

- Home-based services ($1.2 million general fund excess compared to an appropriation of $6.6 million or about 18 percent of the appropriation)
- Nursing home services ($0.9 million general fund excess compared to an appropriation of $28.1 million or 3 percent of the appropriation)

MSH SHORTFALL

The LFD staff report on budget pressure points presented at the October Legislative Finance Committee (LFC) meeting noted that MSH had a potential cost overrun. The average daily population (ADP) of the hospital year to date has been about 195, well above the budgeted level of 175 and above the licensed capacity of the hospital (189). During the first half of FY 2006, the MSH population has frequently been in excess of 200.

DPHHS staff attributes the high population to several factors including:

1) High prevalence of substance abuse in addition to mental illness - alcohol, methamphetamine, and prescription drugs
2) High rate of suicide attempts or threats of suicide

3) An exacerbation of the mental illness of persons in community mental health programs and sometimes difficulty in returning them to the community placement
4) Risk of suicide in county jails[1]

DPHHS increased wages at MSH for registered nurses and licensed practical nurses, recently received approval to hire additional staff and has begun recruitment,[2] and re-opened the 20-bed residential care unit. These actions were taken in order to maintain treatment levels and ensure staff and patient safety.

DPHHS is attempting to contract with community hospitals to purchase beds for short-term stays for persons committed to MSH until they could be admitted to the hospital. However, the contract agreements are not finalized and community hospitals have expressed some concerns because they are also at capacity and are also facing staffing limitations and funding shortfalls.[3]

The number of community crisis services declined about three years ago with the closure of the psychiatric unit at St Peter's Hospital and the crisis house managed by the Golden Triangle Mental Health Center in Helena, and the reduction in the number of psychiatric beds at the Deaconess Hospital in Billings. This reduction could be a contributing factor to the challenges in keeping emergency detentions in the community and successful negotiation of a contract for community hospital beds.

MSH has passed an onsite survey in July 2005, which maintained its hospital license, with a deficiency free review. Licensure is necessary for MSH to receive Medicare reimbursement for services provided to Medicare eligible recipients, which historically made up between 30 and 40 percent of the non-forensic population.[4] Medicare reimbursements are deposited to the general fund. Year to date, about $430,000 has been deposited from Medicare reimbursement for MSH services compared to $1.1 million total reimbursement in FY 2005. Despite its successful license survey, population levels in excess of its licensed capacity remain a cause for concern and would be problematic even if there were no cost over-run associated with a high ADP.

DPHHS staff testified before the Public Health and Human Services Joint Appropriation Subcommittee during the 2005 legislative session that the deficiency of crisis services was one of the largest service gaps in the adult mental health system. The legislature approved funding for 5.00 new FTE to place in regions around the state and designated that 3.00 of the FTE must be used to help communities develop crisis services. The legislature funded 3.00 FTE in FY06, and the final 2.00 FTE in FY07. The legislature also approved funding for a home and community based services waiver for 105 slots in FY 2007. The three regional FTE funded for FY06 were hired during October and November and are located in Billings, Kalispell, and Great Falls.

[1] Ed Amberg, Director, MSH, electronic communication, November 22, 2005.
[2] Ed Amberg, personal communication, November 23, 2005. The approval to hire additional staff was received around November 7, 2005.
[3] Ibid.
[4] There is a life time limit of 190 days of Medicare reimbursement for inpatient psychiatric care. If a Medicare eligible person is admitted to MSH several times and exceeds the 190 limit, there would be no more Medicare reimbursement for extended or subsequent stays.

MDC SHORTFALL

The department indicates that a $1.4 million general fund shortfall is expected in personal services at MDC due to increased overtime costs, benefits associated with overtime costs, and an inability to meet the budgeted vacancy savings reduction. This situation was likely foreseeable since the legislative budget analysis contained an issue that the executive budget request for overtime and related costs appeared low.

Given that the situation was likely foreseeable, it raises an issue as to why DPHHS used available general fund to increase provider rates above the level appropriated by the legislature rather than offset MDC vacancy savings and overtime costs. As reported verbally at the October LFC meeting, the department increased community developmental disability provider rates to almost twice the level appropriated by the legislature by supplementing legislative appropriations with about $4.3 million total funds for the biennium, including almost $1.5 million general fund. Thus, the additional general fund provided by DPHHS to increase provider rates over and above the level appropriated by the legislature would have been adequate to fully mitigate the projected funding shortfall at MDC.

ESTIMATED SAVINGS

The two most significant areas of projected savings occur in Medicaid community and nursing home services for the elderly and physically disabled. The most significant source of anticipated savings is in community services, which is projected revert nearly 20 percent of the legislative appropriation.

The projected level of savings in community services is surprising. DPHHS has steadily expanded community services for the elderly and disabled, moving persons from institutions and nursing homes into community services. Recent Montana litigation (the Travis D. case and U.S. Supreme Court cases, such as the Olmstead case) underscore the need to offer community services to and place disabled persons in community services.

The legislature approved an increase in community waiver slots for the Senior and Long-Term Care Division, adding 44 slots above the executive expansion of 80 slots by the end of the 2007 biennium. In addition, the legislature appropriated a higher rate increase for home and community based services than requested by the executive.

In contrast, the projected savings in nursing home services is not as surprising as those projected in community services. Nursing home populations and days of care have declined steadily at about 1 percent annually over the last several years. In contrast,

LFC OPTIONS

There are several options that the LFC could consider including:

- Continue to monitor the BSR, which is required to be submitted for LFC review each month
- Request that LFD staff research and evaluate why community services costs for the elderly and physically disabled are projected to be lower than anticipated

- Request that DPHHS explain its rationale for giving provider rate increases for developmental disability services providers above the level appropriated by the legislature when there were unfunded vacancy savings costs at MDC and that there was a potential for inadequate funding for overtime costs
- Request that DPHHS explain what steps it is taking to help communities develop community crisis services for the adult mental health system

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